

TOWNSHIP OF CHESANING
Saginaw County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Chesaning	County Saginaw
Audit Date March 31, 2006	Opinion Date July 31, 2006	Date Accountant Report Submitted to State: August 4, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>		Zip 48707	

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

July 31, 2006

To the Township Board
Township of Chesaning
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Chesaning, Saginaw County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Chesaning's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary governmental activities and each major fund of the Township of Chesaning, Saginaw County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements because they do not include the financial data of the component unit of the Township of Chesaning, do not purport to, and do not present fairly the financial position of the Township of Chesaning as of March 31, 2006, and changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & CO., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CHESANING
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Chesaning covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$431,905.47 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$634,784.79 from governmental activities.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Agency Fund, the Cemetery Perpetual Care Fund, the Refuse and Recycling Fund and the Current Tax Collection Fund.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Refuse and Recycling Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our governmental activities cash position remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$123,701.11 and fire protection which incurred expenses of \$160,539.57.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$9,600.00 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 989-845-2341.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	360 649 10
Taxes receivable	21 505 69
Special assessments receivable	<u>8 436 00</u>
Total Current Assets	<u>390 590 79</u>
NON-CURRENT ASSETS:	
Capital Assets	200 526 77
Less: Accumulated Depreciation	<u>(118 373 83)</u>
Total Non-current Assets	<u>82 152 94</u>
TOTAL ASSETS	<u><u>472 743 73</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>40 838 26</u>
Total Current Liabilities	<u>40 838 26</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>40 838 26</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	82 152 94
Restricted for cemetery	192 76
Unrestricted	<u>349 559 77</u>
Total Net Assets	<u>431 905 47</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>472 743 73</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	41 488 59	-	(41 488 59)
General government	144 522 97	82 659 15	(61 863 82)
Public safety	185 094 29	160 539 57	(24 554 72)
Public works	212 582 96	95 565 35	(117 017 61)
Culture and recreation	14 583 05	-	(14 583 05)
Other	31 307 53	-	(31 307 53)
Total Governmental Activities	<u>629 579 39</u>	<u>338 764 07</u>	<u>(290 815 32)</u>
General Revenues:			
Property taxes			105 384 38
State revenue sharing			164 290 08
Interest			11 861 44
Miscellaneous			<u>14 484 82</u>
Total General Revenues			<u>296 020 72</u>
Change in net assets			5 205 40
Net assets, beginning of year			<u>426 700 07</u>
Net Assets, End of Year			<u>431 905 47</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

<u>Assets</u>	<u>General</u>	<u>Refuse and Recycling</u>	<u>Other Funds</u>	<u>Total</u>
Cash in bank	252 135 07	102 988 27	192 76	355 316 10
Taxes receivable	21 505 69	-	-	21 505 69
Special assessments receivable	-	8 436 00	-	8 436 00
Due from other funds	5 333 00	-	-	5 333 00
Total Assets	<u>278 973 76</u>	<u>111 424 27</u>	<u>192 76</u>	<u>390 590 79</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	25 142 31	15 695 95	-	40 838 26
Total liabilities	<u>25 142 31</u>	<u>15 695 95</u>	<u>-</u>	<u>40 838 26</u>
Fund equity:				
Fund balances:				
Reserved for cemetery	-	-	192 76	192 76
Unreserved:				
Undesignated	253 831 45	95 728 32	-	349 559 77
Total fund equity	<u>253 831 45</u>	<u>95 728 32</u>	<u>192 76</u>	<u>349 752 53</u>
Total Liabilities and Fund Equity	<u>278 973 76</u>	<u>111 424 27</u>	<u>192 76</u>	<u>390 590 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 349 752 53

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	200 526 77
Accumulated depreciation	<u>(118 373 83)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 431 905 47

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Refuse and Recycling</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	105 384 38	-	-	105 384 38
Licenses and permits	23 614 72	-	-	23 614 72
State revenue sharing	164 290 08	-	-	164 290 08
Charges for services	59 044 43	-	-	59 044 43
Interest	11 160 59	700 16	69	11 861 44
Special assessments	160 539 57	95 565 35	-	256 104 92
Miscellaneous	<u>14 484 82</u>	<u>-</u>	<u>-</u>	<u>14 484 82</u>
Total revenues	<u>538 518 59</u>	<u>96 265 51</u>	<u>69</u>	<u>634 784 79</u>
Expenditures:				
Legislative:				
Township Board	41 488 59	-	-	41 488 59
General government:				
Supervisor	9 000 00	-	-	9 000 00
Elections	1 775 48	-	-	1 775 48
Assessor	35 626 10	-	-	35 626 10
Audit	3 500 00	-	-	3 500 00
Attorney	1 440 00	-	-	1 440 00
Clerk	17 544 00	-	-	17 544 00
Board of Review	1 159 69	-	-	1 159 69
Treasurer	17 000 00	-	-	17 000 00
Building and grounds	5 864 94	-	-	5 864 94
Cemetery	35 068 57	-	201 36	35 269 93
Data processing	5 769 26	-	-	5 769 26
Public safety:				
Fire protection	160 539 57	-	-	160 539 57
Planning and zoning	24 554 72	-	-	24 554 72
Public works:				
Highways and streets	123 701 11	-	-	123 701 11
Street lights	636.32	-	-	636 32
Drains	2 246 84	-	-	2 246 84
Sanitation	-	85 998 69	-	85 998 69
Culture and recreation:				
Parks and recreation	13 936 00	-	-	13 936 00
Other functions:				
Health	4 230 00	-	-	4 230 00
Pension	14 522 07	-	-	14 522 07
Insurance	12 555 46	-	-	12 555 46
Capital outlay	<u>9 600 00</u>	<u>-</u>	<u>-</u>	<u>9 600 00</u>
Total expenditures	<u>541 758 72</u>	<u>85 998 69</u>	<u>201 36</u>	<u>627 958 77</u>
Excess (deficiency) of revenues over expenditures	(3 240 13)	10 266 82	(200 67)	6 826 02
Fund balances, April 1	<u>257 071 58</u>	<u>85 461 50</u>	<u>393 43</u>	<u>342 926 51</u>
Fund Balances, March 31	<u>253 831 45</u>	<u>95 728 32</u>	<u>192 76</u>	<u>349 752 53</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 6 826 02

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(11 220 62)
Capital Outlay	<u>9 600 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>5 205 40</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Chesaning, Saginaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The accompanying financial statements are for the primary government of the Township of Chesaning, and do not include the financial data of the component unit of the Township, as required by generally accepted accounting principles. The component unit discussed below is considered to be part of the Township's reporting entity because of the significance of its operational or financial relationship with the Township. If this component unit had been included, it would have been presented as a discrete component unit.

Component Unit

Chesaning Public Library – The taxes of the Library are levied and collected by the Township. The taxes are transmitted to the Library by the Township. A complete financial statement can be obtained from Chesaning Public Library, 227 East Broad Street in Chesaning, Michigan.

Joint Venture

Chesaning – Brady Fire Authority – The Townships of Chesaning and Brady and the Village of Chesaning jointly established the Chesaning – Brady Fire Authority. Each Township appoints two representatives and the Village appoints one representative to serve on the administrative board. For the fiscal year ended March 31, 2006, the Township of Chesaning provided \$160,539.57 to the Fire Authority. The joint venture is not considered a part of the reporting entity of the Township of Chesaning. Separate financial statements of the joint venture may be obtained directly from them at 310 East Broad Street in Chesaning, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Funds

The following funds comprise the Fiduciary Funds as shown in the accompanying financial statements.

Pension Trust Fund

The Pension Trust Fund accounts for funds contributed by the employer and employee for retirement.

Agency Fund

This fund collects and distributes delinquent taxes to the various other funds and governmental units.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Current Tax Collection Fund

The Current Tax Collection Fund accounts for the collection and disbursement of the current year's tax levy.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .9345 mills, and the taxable value was \$113,135,998.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-30 years
Furniture and equipment	8-20 years

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>360 649 10</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	136 231 89
Uninsured and Uncollateralized	<u>405 403 39</u>
Total Deposits	<u>541 635 28</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name. The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized: Financial Institution Pooled Funds				105 530 10
Total Investments				105 530 10

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	59 515 25	-	-	59 515 25
Buildings and improvements	106 682 52	-	-	106 682 52
Equipment	30 279 00	9 600 00	(5 550 00)	34 329 00
Total	196 476 77	9 600 00	(5 550 00)	200 526 77
Accumulated Depreciation	(112 703 21)	(11 220 62)	(5 550 00)	(118 373 83)
Net Capital Assets	83 773 56	(1 620 62)	-	82 152 94

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all Township elected officials, cemetery sexton and employees on a monthly salary. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Members are 100% vested from the date of employment. The Township contributed \$14,522.07 during the fiscal year ended March 31, 2006. The employees are not required to contribute to the plan but they can make voluntary contributions. This plan is recorded in a pension trust fund.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2006, the Township had building permit revenues of \$13,675.00 and building permit expenses of \$15,350.00.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	5 333 00	Current Tax Collection Agency	5 325 22 7 78
Total	<u>5 333 00</u>	Total	<u>5 333 00</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	101 151 00	101 151 00	105 384 38	4 233 38
Licenses and permits	31 800 00	31 800 00	23 614 72	(8 185 28)
State revenue sharing	160 600 00	160 600 00	164 290 08	3 690 08
Charges for services	46 800 00	46 800 00	59 044 43	12 244 43
Interest	5 000 00	5 000 00	11 160 59	6 160 59
Special assessments	160 000 00	160 000 00	160 539 57	539 57
Miscellaneous	3 000 00	13 000 00	14 484 82	1 484 82
Total revenues	508 351 00	518 351 00	538 518 59	20 167 59
Expenditures:				
Legislative:				
Township Board	45 140 00	45 140 00	41 488 59	(3 651 41)
General government:				
Supervisor	9 000 00	9 000 00	9 000 00	-
Elections	7 000 00	7 000 00	1 775 48	(5 224 52)
Assessor	35 000 00	35 626 10	35 626 10	-
Audit	3 500 00	3 500 00	3 500 00	-
Attorney	4 000 00	4 000 00	1 440 00	(2 560 00)
Clerk	17 544 00	17 544 00	17 544 00	-
Board of Review	1 200 00	1 200 00	1 159 69	(40 31)
Treasurer	17 000 00	17 000 00	17 000 00	-
Building and grounds	7 500 00	7 500 00	5 864 94	(1 635 06)
Cemetery	50 000 00	50 000 00	35 068 57	(14 931 43)
Data processing	6 000 00	6 000 00	5 769 26	(230 74)
Public safety:				
Fire protection	160 000 00	161 000 00	160 539 57	(460 43)
Planning and zoning	34 000 00	34 000 00	24 554 72	(9 445 28)
Public works:				
Highways and streets	200 000 00	200 000 00	123 701 11	(76 298 89)
Street lights	700 00	700 00	636 32	(63 68)
Drains	1 000 00	2 246 84	2 246 84	-
Culture and recreation:				
Parks and recreation	14 000 00	14 000 00	13 936 00	(64 00)
Other functions:				
Health	5 000 00	5 000 00	4 230 00	(770 00)
Pension	17 000 00	17 000 00	14 522 07	(2 477 93)
Insurance	16 000 00	16 000 00	12 555 46	(3 444 54)
Capital outlay	4 000 00	11 127 06	9 600 00	(1 527 06)
Total expenditures	654 584 00	664 584 00	541 758 72	(122 825 28)
Excess (deficiency) of revenues over expenditures	(146 233 00)	(146 233 00)	(3 240 13)	142 992 87
Fund balance, April 1	146 233 00	146 233 00	257 071 58	110 838 58
Fund Balance, March 31	-	-	253 831 45	253 831 45

TOWNSHIP OF CHESANING
Saginaw County, Michigan

BUDGETARY COMPARISON SCHEDULE – REFUSE AND RECYCLING FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	700 16	700 16
Special assessments	111 604 60	111 604 60	95 565 35	(16 039 25)
Total revenues	111 604 60	111 604 60	96 265 51	(15 339 09)
Expenditures:				
Public works:				
Sanitation	111 604 60	111 604 60	85 998 69	(25 605 91)
Total expenditures	111 604 60	111 604 60	85 998 69	(25 605 91)
Excess (deficiency) of revenues over expenditures	-	-	10 266 82	10 266 82
Fund balance, April 1	-	-	85 461 50	85 461 50
Fund Balance, March 31	-	-	95 728 32	95 728 32

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Salaries	8 640 00
Office help	7 929 00
Payroll taxes	6 381 85
Memberships and dues	100 00
Telephone	3 257 00
Mileage	723 71
Printing and publishing	2 376 29
Repairs and maintenance	835 71
Miscellaneous	4 345 29
Education and training	6 899 74
	<u>41 488 59</u>
Supervisor:	
Salary	9 000 00
Elections:	
Wages	1 060 00
Printing and publishing	117 78
Miscellaneous	75 14
Repairs and maintenance	522 56
	<u>1 775 48</u>
Assessor:	
Contracted services	22 500 00
Printing and publishing	369 65
Contracted services	12 756 45
	<u>35 626 10</u>
Audit	3 500 00
Attorney	1 440 00
Clerk:	
Salary	17 544 00
Board of Review:	
Wages	665 00
Printing and publishing	494 69
	<u>1 159 69</u>
Treasurer:	
Salary	17 000 00
Building and grounds:	
Wages	1 776 00
Utilities	2 949 91
Repairs and maintenance	1 139 03
	<u>5 864 94</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Cemetery:	
Sexton	2 783 50
Open and close graves	11 676 08
Lawn maintenance	14 000 00
Printing and publishing	415 58
Utilities	293 12
Repairs and maintenance	5 900 29
	<u>35 068 57</u>
Data processing:	
Maintenance	5 769 26
	<u>5 769 26</u>
Fire protection	
	<u>160 539 57</u>
Planning and zoning:	
Wages	18 028 50
Contracted services	3 320 00
Mileage	467 16
Printing and publishing	743 88
Repairs and maintenance	1 995 18
	<u>24 554 72</u>
Highways and streets	
	<u>123 701 11</u>
Street lighting	
	<u>636 32</u>
Drains	
	<u>2 246 84</u>
Parks and recreation	
	<u>13 936 00</u>
Health	
	<u>4 230 00</u>
Pension	
	<u>14 522 07</u>
Insurance	
	<u>12 555 46</u>
Capital outlay	
	<u>9 600 00</u>
Total Expenditures	<u>541 758 72</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINING BALANCE SHEET - ALL FIDUCIARY FUNDS
March 31, 2006

	Pension Trust	Agency Current Tax Collection	Agency	Total
<u>Assets</u>				
Cash in bank	-	5 325 22	7 78	5 333 00
Investments	105 530 10	-	-	105 530 10
Total Assets	105 530 10	5 325 22	7 78	110 863 10
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	-	5 325 22	7 78	5 333 00
Due to other units	-	-	-	-
Total liabilities	-	5 325 22	7 78	5 333 00
Fund balances:				
Reserved for retirement benefits	105 530 10	-	-	105 530 10
Total fund balances	105 530 10	-	-	105 530 10
Total Liabilities and Fund Balances	105 530 10	5 325 22	7 78	110 863 10

TOWNSHIP OF CHESANING
Saginaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
PENSION TRUST FUND
Year ended March 31, 2006

	<u>Pension Trust</u>
Operating revenues:	
Contributions	<u>14 273 00</u>
Total operating revenues	<u>14 273 00</u>
Less operating expenses:	
Management fees	<u>1 517 23</u>
Total operating expenses	<u>1 517 23</u>
Operating income (loss)	<u>12 755 77</u>
Non-operating revenues and (expenses):	
Distributions	(18 332 32)
Gain (loss) on investment	<u>13 857 29</u>
Total non-operating revenues and (expenses)	<u>(4 475 03)</u>
Net income (loss)	8 280 74
Fund balance, April 1	<u>97 249 36</u>
Fund Balance, March 31	<u>105 530 10</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>CURRENT TAX COLLECITON FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>695 61</u>	<u>3 458 892 88</u>	<u>3 454 263 27</u>	<u>5 325 22</u>
<u>Liabilities</u>				
Due to other funds	695 61	383 782 37	379 152 76	5 325 22
Due to others	<u>-</u>	<u>3 075 110 51</u>	<u>3 075 110 51</u>	<u>-</u>
Total Liabilities	<u>695 61</u>	<u>3 458 892 88</u>	<u>3 454 263 27</u>	<u>5 325 22</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>5 82</u>	<u>43 357 92</u>	<u>43 355 96</u>	<u>7 78</u>
<u>Liabilities</u>				
Due to other funds	5 82	26 666 87	26 664 91	7 78
Due to others	<u>-</u>	<u>16 691 05</u>	<u>16 691 05</u>	<u>-</u>
Total Liabilities	<u>5 82</u>	<u>43 357 92</u>	<u>43 355 96</u>	<u>7 78</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>701 43</u>	<u>3 502 250 80</u>	<u>3 497 619 23</u>	<u>5 333 00</u>
<u>Liabilities</u>				
Due to other funds	701 43	410 449 24	405 817 67	5 333 00
Due to others	<u>-</u>	<u>3 091 801 56</u>	<u>3 091 801 56</u>	<u>-</u>
Total Liabilities	<u>701 83</u>	<u>3 502 250 80</u>	<u>3 497 619 23</u>	<u>5 333 00</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2006

Cash in bank – beginning of year	<u>695 61</u>
Cash receipts:	
Property taxes	3 453 543 29
Interest	<u>5 349 59</u>
Total cash receipts	<u>3 458 892 88</u>
Total beginning balance and cash receipts	<u>3 459 588 49</u>
Cash disbursements:	
Township General Fund – Operating	137 377 54
Township General Fund – Fire	148 766 02
Township Refuse and Recycling Fund	93 009 20
Chesaning Public Library	96 303 60
Saginaw County	1 413 945 31
Saginaw County Intermediate School District	212 411 41
Shiawassee County Intermediate School District	2 571 16
Chesaning Union School District	1 024 783 78
New Lothrop School District	1 675 20
Downtown Development Authority	87 563 59
Delta College	210 476 26
State of Michigan	20 941 68
Refunds	<u>4 438 52</u>
Total cash disbursements	<u>3 454 263 27</u>
Cash in Bank – End of Year	<u>5 325 22</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 31, 2006

To the Township Board
Township of Chesaning
Saginaw County, Michigan

We have audited the financial statements of the Township of Chesaning for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Chesaning in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Chesaning
Saginaw County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

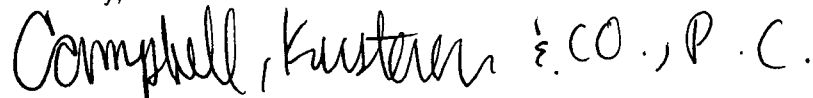
We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants